

Message Text

CONFIDENTIAL

PAGE 01 NOUAKC 00140 141224Z

ACTION AF-10

INFO OCT-01 EUR-12 NEA-10 ISO-00 CIAE-00 DODE-00 PM-05

H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01

SP-02 SS-15 USIA-06 AID-05 COME-00 EB-08 FRB-03

TRSE-00 XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01

STR-06 CEA-01 /113 W

-----015916 141230Z /14

R 141000Z JAN 78

FM AMEMBASSY NOUAKCHOTT

TO SECSTATE WASHDC 8755

INFO AMEMBASSY ALGIERS

AMEMBASSY DAKAR

AMEMBASSY JIDDAH

AMEMBASSY KUWAIT

AMEMBASSY MADRID

AMEMBASSY PARIS

AMEMBASSY RABAT

USMISSION USUN

C O N F I D E N T I A L NOUAKCHOTT 140

E.O. 11652: GDS

TAGS: PGOV, MT, PINT

SUBJECT: MAURITANIAN ECONOMIC CRISIS WORSENS

REF: NOUAKCHOTT 0030

1. BEGIN UNCLASSIFIED:FOLLOWING TWO FULL DAYS OF MEETINGS, THE BUREAU POLITIQUE NATIONAL (BPN) HAS ANNOUNCED THE CONVENING ON JANUARY 25 OF A SPECIAL EXTRAORDINARY CONGRESS OF THE PARTI DU PEUPLE MAURITANIEN (PPM). BPN JAN 13 COMMUNIQUE OF THE PARTI DU PEUPLE MAURITANIEN (PPM). BPN JAN 13, REFERS TO PRESIDENT OULD DADDAH'S DECEMBER 31ST CALL FOR BELT-TIGHTENING AS WELL AS NEED FOR POLITICAL AND ADMINISTRATIVE REFORM (REPORTED REFTTEL), AND EMPHASIZES SERIOUSNESS OF ECONOMIC ISSUES THAT MUST BE ADDRESSED BY PPM CONGRESS. COMMUNIQUE ALSO CON-
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PAGE 02 NOUAKC 00140 141224Z

FIRMED THAT 1978 BUDGET PROCESS REVIEW HAD BEEN COMPLETED AND HAD BEEN VERY RIGOROUS. END UNCLASSIFIED

2. BEGIN CONFIDENTIAL COMMENT: THERE ARE WIDESPREAD RUMORS THAT MINISTERS OF FINANCE, COMMERCE, RURAL DEVELOPMENT, DEFENSE AND INFORMATION MAY LOSE THEIR JOBS. NEARLY ALL RUMORS INCLUDE SPECULATION THT NUMBER OF MINISTRIES WILL BE REDUCED TO EITHER

12 OR 8. NO RPT NO NEW FACES EXPECTED IN CABINET. EMBOFFS HAVE BEEN TOLD THAT 1978 BUDGET, WHICH WE EXPECT TO BE PUBLISHED IN NEXT FEW DAYS, INCLUDES REDUCTIONS IN SOME MINISTRIES OF 40-70 PERCENT FROM 1977 LEVELS. ECONOMIC CRISIS HAS ARISEN BECAUSE OF SIGNIFICANT DECREASE ANTICIPATED FOREIGN EXCHANGE EARNINGS OWING TO LESS THAN NORMAL EXPORTS IRON ORE AND DECREASE IN IRON ORE MARKET PRICE. SNIM DIRECTOR GENERAL ISMAEL AMAR PAINTED VERY GLOOMY PICTURE IN PRIVATE TALKS WITH AMBASSADOR JAN 13. HE CONFIDED THAT SNIM IS NOW EXPORTING ORE FAR BELOW BREAK-EVEN POINT. HE PREDICTS JANUARY 1978 IRON ORE INCOME WILL BE 8 MILLION DOLS.BELOW NORM. HE COMPLAINED THAT HIGH GIRM OFFICIALDOM NOT FULLY AWARE OF THE URGEMCY OF THE PROBLEM, THAT IN HIS VIEW, THE GREND MUST BE REVERSED IN A MATTR OF DAYS NOT MONTHS TO AVERT ECONOMIC DISASTER.

3. RELIABLE INSIDERS CLAIM THAT SAUDIS HAVE AGREED TO ASSIST GIRM THROUGH ITS LIQUIDITY CRISIS ONLY ON CONDITION IT ACCEPT MONETARY REFORMS INCLUDING POSSIBLE DEVLUATION AND LINKAGE WITH ANOTHER CONVERTIBLE CURRENCY SUCHS AS CFA OR MOROCCAN DIRHAM.

4. INFORMED MAURITANIANS AGREE THAT A RETURN TO A CONVERTIBLE CURRENCY WOULD BE A GOOD THING. BUT THE PREVENTION OF FURTHER DETERIORATION OF THE FOREIGN EXCHANGE POSITION GOES FAR BEYOND THAT AND WILL ENTAIL STRICT AUSTERITY MEASURES AFECTING ALL MAURITANIANS INCLUDING THEPROMINENT AND THE WEALTHY.
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PAGE 03 NOUAKC 00140 141224Z

WHETHER PRESIDENT OULD DADDAH IS WILLING TO MAKE THE TOUGH POLITICAL DECISIONS THAT GO WITH MEANINGFUL MONETARY REFORM AND THE COUNTRY HAS THE WILL TO ACCEPT THEM, REMAINS TO BE SEEN.

END CONFIDENTIAL.

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